

**FIRST SUPPLEMENT DATED MARCH 5, 2008 TO
OFFICIAL STATEMENT DATED SEPTEMBER 21, 2007**

**NOT TO EXCEED \$350,000,000
KENTUCKY ASSET/LIABILITY COMMISSION
PROJECT NOTES, 2007 ROAD FUND FIRST SERIES A**

Dated: Date of Delivery

Price of all Notes: 100%

Final Maturity: June 30, 2028

This Supplement to Official Statement dated March 5, 2008 (this "Supplement") updates and incorporates by reference the Official Statement dated September 21, 2007 (the "Official Statement") of the Kentucky Asset/Liability Commission with respect to the Notes (defined below). Reference is made to the Official Statement, which is incorporated herein by reference, and which should be reviewed in its entirety.

The Kentucky Asset/Liability Commission (the "Commission") is issuing its Project Notes, 2007 Road Fund First Series A (the "Notes") to provide financing for additions and improvements to the Kentucky Economic Development Road System (Revitalization Projects) (the "Project") in anticipation of bonds to be issued by The Turnpike Authority of Kentucky (the "Turnpike Authority") that will provide permanent financing for the Project. The Commission is issuing at this time an additional \$50,000,000 of Notes (the "Second Tranche of Notes").

The Notes may bear interest in any of four different interest rate modes: the Commercial Paper Rate, the Daily Rate, the Weekly Rate or the Fixed Rate. The interest rate mode of the Notes may be converted to any of the other interest rate modes under the provisions described herein. The Notes will initially bear interest at the Commercial Paper Rate. The Notes will be subject to redemption under certain circumstances. See "THE NOTES" herein for a description of the interest rate modes and purchase and redemption provisions for the Notes. The remarketing agent for the Notes is J. P. Morgan Securities Inc. (the "Remarketing Agent").

The Notes are subject to optional tender and mandatory purchase prior to maturity as described in this Official Statement. Purchases of tendered Notes that are not remarketed by the Remarketing Agent initially will be funded, subject to certain conditions described herein, under a Standby Note Purchase Agreement (the "Liquidity Facility") among the Commission, The Bank of New York Trust Company, N.A. (the "Trustee") and Dexia Crédit Local, acting through its New York Branch (the "Liquidity Provider").



The Liquidity Facility expires on September 24, 2010, unless extended or terminated sooner in accordance with the terms thereof. Upon the occurrence of certain events of default under the Liquidity Facility as more fully described herein, the rights of owners of the Notes to tender their Notes for purchase may be immediately terminated without notice or demand to any person. See "THE NOTES – Purchase of Notes" and "LIQUIDITY FACILITY."

The Commission has pledged to the payment of the Notes, payments to be received by the Commission pursuant to a Financing/Tenth Supplemental Lease Agreement (the "Financing Agreement") among the Commission, the Turnpike Authority, the Commonwealth of Kentucky Finance and Administration Cabinet (the "Cabinet") and the Commonwealth of Kentucky Transportation Cabinet (the "Transportation Cabinet"). The Kentucky General Assembly has appropriated to the Transportation Cabinet amounts projected to be sufficient to meet interest requirements on the Notes through June 30, 2008. There can be no assurance that such appropriations will be forthcoming in the biennium beginning July 1, 2008 or in future biennia or that the Governor, in the performance of his or her obligation to balance the Commonwealth of Kentucky's annual budget, will not reduce or eliminate such appropriations. **The Notes are special obligations of the Commission and are payable solely from the revenues and funds specifically pledged by the Commission for the payment of the principal of, premium, if any, and interest on the Notes.** See "SECURITY FOR THE NOTES" in the Official Statement and Exhibit B hereto.

The Notes are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by Kutak Rock LLP, Omaha, Nebraska, Bond Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Peck, Shaffer & Williams LLP, Covington, Kentucky and for the Liquidity Provider by its counsel, Nixon Peabody LLP, and by its French counsel. It is expected that the Second Tranche of Notes in definitive form will be available for delivery in New York, New York, on or about March 5, 2008.

JPMorgan

March 5, 2008

KENTUCKY ASSET/LIABILITY COMMISSION

COMMISSION MEMBERS

Jonathan Miller, Secretary of the Finance and Administration Cabinet, Chairman
Jack Conway, Attorney General
Todd Hollenbach, State Treasurer
Mary E. Lassiter, State Budget Director
Edgar C. Ross, State Controller

SECRETARY TO THE COMMISSION

F. Thomas Howard, Executive Director of the Office of Financial Management

TRUSTEE

The Bank of New York Trust Company, N.A.
Louisville, Kentucky

REMARKETING AGENT

J. P. Morgan Securities Inc.
New York, New York

LIQUIDITY PROVIDER

Dexia Crédit Local, New York Branch
New York, New York

BOND COUNSEL

Kutak Rock LLP
Omaha, Nebraska

UNDERWRITER'S COUNSEL

Peck, Shaffer & Williams LLP
Covington, Kentucky

LIQUIDITY PROVIDER'S COUNSEL

Nixon Peabody LLP
New York, New York

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**FIRST SUPPLEMENT DATED MARCH 5, 2008 TO
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PROJECT NOTES, 2007 ROAD FUND FIRST SERIES A**

INTRODUCTION

This First Supplement to Official Statement (this "First Supplement"), which includes the cover page, is being distributed by the Kentucky Asset/Liability Commission (the "Commission") to furnish pertinent information to the purchasers of not to exceed \$350,000,000 aggregate principal amount of its Project Notes, 2007 Road Fund First Series A (the "Notes"). The Notes are being issued pursuant to Section 56.860 *et seq.* of the Kentucky Revised Statutes (the "Act"), a Resolution adopted by the Commission on August 20, 2007 (the "Resolution"), and the Trust Indenture dated as of September 1, 2007 (the "Indenture"), between the Commission and The Bank of New York Trust Company, N.A., Louisville, Kentucky, as trustee (the "Trustee").

The Commission is issuing its Notes in tranches over time. To date, \$150,000,000 of Notes have been issued and are outstanding (the "Outstanding Notes"). The Commission is issuing at this time an additional \$50,000,000 of Notes (the "Second Tranche of Notes").

This Supplement updates and incorporates by reference the Official Statement dated September 21, 2007 with respect to the Notes (the "Original Official Statement"). This Supplement generally presents updated or new information that was not available at the time the Original Official Statement was printed, except that, in certain cases, this Supplement amends and restates information presented in the Original Official Statement, as further indicated herein. Reference is made to the Original Official Statement, which is incorporated herein by reference, and which should be reviewed in its entirety.

The proceeds of the Notes will be used to provide financing for the Project (defined in the Original Official Statement) in anticipation of Bonds to be issued by The Turnpike Authority of Kentucky (the "Turnpike Authority") to provide permanent financing for the Project.

THE KENTUCKY ASSET/LIABILITY COMMISSION

The information presented under this heading replaces, in its entirety, the information presented under the same heading in the Original Official Statement.

General Information

The Act created the Kentucky Asset/Liability Commission, which is composed of five members, each serving in an ex officio capacity. Under the Act, the members are as follows: the Secretary of the Finance and Administration Cabinet, who acts as Chairman; the Attorney General; the State Treasurer; the State Budget Director; and the State Controller. The State Controller was added to the Commission by Executive Order 2007-502 dated June 21, 2007 and effective June 16, 2007.

The current members of the Commission are as follows:

Jonathan Miller	Secretary of the Finance and Administration Cabinet, Chairman
Jack Conway	Attorney General
Todd Hollenbach	State Treasurer
Mary E. Lassiter	State Budget Director
Edgar C. Ross	State Controller

The Secretary of the Commission is the Executive Director of the Office of Financial Management ("OFM").

The Commission was created by the General Assembly to develop policies and strategies to minimize the impact of fluctuating interest rates on the Commonwealth's interest-sensitive assets and interest-sensitive liabilities. The Commission is authorized to issue tax and revenue anticipation notes, project notes and funding notes. Tax and revenue anticipation notes are to be used for the purpose of providing monies to discharge expenditure demands in anticipation of revenues and taxes to be collected during the fiscal year. Project notes are to be used for authorized projects upon request of the Finance and Administration Cabinet, to be repaid through financing agreements or alternative agreements. Funding notes are to be used for the purpose of funding judgments against the Commonwealth or any state agency. OFM, which is in the Finance and Administration Cabinet, serves as staff to the Commission.

Financings of the Commission

General. The Commission has had outstanding obligations in several different forms, including tax and revenue anticipation notes and project notes. Project notes have been issued as General Fund Series, Agency Fund Series, Road Fund Series and Federal Highway Trust Fund Series depending upon the appropriation fund source that is being used to fund the payments under the related financing/lease agreement. Each type of obligation, described below, is secured by the trust indenture to which such types of obligations relate, and holders of notes issued under a particular trust indenture do not have any claim on the pledged receipts of the Commission arising under any other trust indenture. The indentures for each particular type of notes issued by the Commission generally allow the issuance of additional notes on parity with the outstanding notes of the same type. The Commission's outstanding obligations as of February 15, 2008 are described below.

General Fund Tax and Revenue Anticipation Notes. Since 1997, with the exception of 2003, the Commission has issued General Fund Tax and Revenue Anticipation Notes ("TRANs") on an annual basis corresponding with its fiscal year. The TRANs are payable from taxes and certain revenues collected by the Commonwealth in the Fiscal Year in which they are issued. The 2007 TRAN Series was issued on July 3, 2007 in the amount of \$350,000,000 and will mature on June 26, 2008.

Project Notes, General Fund Series. The Commission from time to time issues separate series of project notes, the proceeds of which are used to fund capital projects (the "General Fund Project Notes") authorized by the General Assembly. All General Fund Project Notes are payable from payments to be received by the Commission under separate financing/lease agreements and, as to bond anticipation notes, the issuance of bonds by the State Property and Buildings Commission ("SPBC"). These payments are ultimately dependent upon General Fund appropriations by the General Assembly of the Commonwealth. The Commission has authorized the issuance of an aggregate principal amount not to exceed \$1,400,000,000 of Project Notes, 2005 General Fund Second Series.

<u>Project Notes</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2003 General Fund Series A	\$171,260,000	\$52,985,000
2005 General Fund First Series	81,850,000	76,150,000
2005 General Fund Second Series*	300,000,000	100,000,000
2007 General Fund FRN Series	<u>243,080,000</u>	<u>237,535,000</u>
TOTAL	\$796,190,000	\$466,670,000

*The Commission expects to deliver a fourth tranche of notes on March 5, 2008, so that the Outstanding Amount will be \$200,000,000.

Project Notes, Agency Fund Series. The Commission from time to time also issues separate series of project notes (the "Agency Fund Project Notes"), which are payable from payments to be received by the Commission under financing/lease agreements with various state agencies and from proceeds of bonds to be issued by the SPBC or a state agency. The payments used to pay Agency Fund Project Notes are ultimately dependent upon Agency Fund appropriations by the General Assembly of the Commonwealth. The Commission has authorized the issuance of an aggregate principal amount not to exceed \$250,000,000 of Project Notes, 2005 Agency Fund Second Series. These notes may be issued incrementally as needed by various state agencies.

<u>Project Notes</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2005 Agency Fund Taxable First Series	\$11,275,000	\$10,890,000
2005 UK General Receipts Series A	107,540,000	107,540,000
2006 UK General Receipts Series A & B	68,525,000	65,630,000
2007 UK General Receipts Series A	77,905,000	77,905,000
2007 UK General Receipts Series B	80,245,000	80,245,000
2005 Agency Fund Second Series	<u>14,025,000</u>	<u>14,025,000</u>
TOTAL	\$359,515,000	\$356,235,000

Project Notes, Road Fund Series. The Commission from time to time issues separate series of Notes, as described herein. The Commission has authorized the issuance of an aggregate principal amount not to exceed \$350,000,000 of Notes. The Commission has \$150,000,000 of Notes outstanding and expects to deliver the Second Tranche of Notes on March 5, 2008, so that there will then be a total of \$200,000,000 outstanding.

Project Notes, Federal Highway Trust Fund Series. The Commission is authorized to issue project notes (the "Federal Highway Trust Fund Project Notes") which are payable from payments to be received by the Commonwealth of Kentucky Transportation Cabinet from the Federal Highway Administration. Amounts used to pay those notes are ultimately dependent upon receipt of federal highway funds.

<u>Project Notes</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2005 First Series	\$139,635,000	\$118,755,000
2007 First Series	<u>277,910,000</u>	<u>277,910,000</u>
TOTAL	\$417,545,000	\$396,665,000

Future Financings. The 2005 General Assembly enacted a State Budget for the biennium ending June 30, 2006, which authorized \$2.056 billion of bond funded capital projects. The General Fund authorization was \$1,204 million; the Road Fund authorization was \$450 million; Agency Funds were authorized at \$251.7 million; and \$150 million was authorized to be supported by the Federal Highway Trust Funds. The Road Fund and Federal Highway Trust Fund authorizations have been issued. A significant portion of the Agency Fund and General Fund projects have been permanently funded.

The 2006 General Assembly adopted a State Budget for the biennium ending June 30, 2008 which authorized an additional \$2.3 billion of capital projects to be funded with debt. The General Fund authorization is \$1,392.9 million; the Agency Fund authorizations total \$267.5 million; while the Road Fund and Federal Highway Trust Fund authorizations are \$350 million and \$290 million, respectively. The Federal Highway Trust Fund and a portion of the Agency Fund and General Fund projects have been permanently funded. The Road Fund projects are being funded by the 2007 Road Fund First Series Project Notes.

The Kentucky General Assembly may authorize debt financing to support various capital initiatives of the Commonwealth in the current and future sessions, which may result in the issuance of

additional project notes by the Commission. Project notes may also be issued to refund outstanding Commission project notes. The Commission may also issue TRANs as funding needs arise.

The timing of permanent funding for the remaining various obligations, which may result in the retirement of certain outstanding Commission notes, is uncertain.

In August 2007, the Commission entered into interest rate swap transactions to hedge the issuance of approximately \$300 million of future SPBC bonds expected to fund a portion of the remaining authorized, but un-issued bonds for General Fund projects. The interest rate swaps were executed in anticipation of approximately \$150 million of SPBC bonds being sold in each of November 2008 and November 2009.

The Commission may enter into additional interest rate swaps or other agreements to manage the state's interest rate risk profile and/or hedge the future issuance of bonds authorized by past, current and future sessions of the Kentucky General Assembly.

THE TRANSPORTATION CABINET

The information presented under the subheadings included under this heading replaces, in its entirety, the information presented under the same subheadings in the Original Official Statement.

Revenue Sources of the Transportation Cabinet

Motor Fuel Taxes. These taxes are levied on gasoline, liquefied petroleum gas and special fuels (predominantly diesel fuel) sold for use in motor vehicles operated on public highways. These taxes make up approximately 33 percent of the Road Fund receipts in Fiscal Year 2007 that are available to pay debt service and lease rentals. See "TRANSPORTATION CABINET — Historical Available Road Fund Revenues, Expenses and Lease Rentals" herein.

Recent Changes to Road Fund Receipts

Motor Fuel Taxes. The motor fuel tax statutes provide for a variable tax rate equal to 9 percent of the average wholesale price (awp) of gasoline, which was, until July 1, 2005, subject to a floor of \$1.11 per gallon for both gasoline and special fuels (primarily diesel) and shall be rounded to the third decimal. The awp is calculated by the Department of Revenue for each calendar quarter using the awp from the first month of the previous quarter. The law further limits the awp increase to ten percent from one fiscal year to the next, effectively capping the annual growth. This provision first resulted in an automatic adjustment of the variable tax rate portion of the motor fuel tax on July 1, 2004 when the awp floor increased from \$1.11 to \$1.22.

The 2005 General Assembly authorized two changes to Road Fund motor fuel tax receipts both of which were effective July 1, 2005. First, the awp floor of \$1.22 used to calculate the motor fuel variable tax rate was made permanent. This change permanently increased the minimum variable tax rate on motor fuels from 10 cents to 11 cents per gallon of both gasoline and special fuels. The minimum combined motor fuel tax per gallon, including both the variable tax and the supplemental highway-user tax, permanently became 16 cents for gasoline and 13 cents for special fuels as of July 1, 2005. The statutory provision that allows for an incremental tax increase based on the quarterly awp of fuel remained intact and due to the continued increase in the awp of fuel the awp for purpose of applying the statutory motor fuel tax provisions rose to \$1.34 per gallon effective July 1, 2005. This resulted in a 1.1 cents increase in the motor fuel tax as of the date. The resulting motor fuel tax was 17.1 cents per gallon for gasoline and 14.1 cents per gallon for special fuels. Also, effective July 1, 2005, the General Assembly excluded the receipts related to the one cent increase from the statutory revenue sharing provision for motor fuel taxes. It was estimated that Road Fund motor fuel tax receipts available to pay lease rentals would increase by approximately \$27,500,000 in Fiscal Year 2006 and approximately

\$31,000,000 each fiscal year thereafter. See "TRANSPORTATION CABINET – Claims on Certain Transportation Cabinet Revenues" in the Official Statement.

The 2006 General Assembly again changed the statutory floor applicable to the variable tax rate effective July 1, 2006 by making permanent the awp floor of \$1.34. Also effective on July 1, 2006 was an increase in the awp of fuel for purposes of applying the statutory motor fuel tax provisions to \$1.47. The automatic increase was triggered by quarterly analysis of the awp of fuel and resulted in an increase of the variable motor fuel tax of 1.2 cents per gallon. With this increase the motor fuel tax rates became 18.3 cents per gallon of gasoline and 15.3 cents per gallon for special fuels for Fiscal Year 2007. Also effective July 1, 2006, the 2006 General Assembly excluded the receipts related to the 1.1 cent increase from the statutory revenue sharing provisions for motor fuels taxes. It is estimated that Road Fund motor fuel tax receipts available to pay lease rentals will increase by approximately \$30,250,000 in Fiscal Year 2007 and approximately \$33,000,000 each Fiscal Year thereafter. As of this date, a total of 2.1 cents is exempt from the revenue sharing provisions. See "TRANSPORTATION CABINET – Claims on Certain Transportation Cabinet Revenues" in the Official Statement.

Effective July 1, 2007 the awp of fuel for purposes of applying the statutory motor fuel tax provisions again increased due to the results of the analysis of the awp of fuel described above. The 1.3 cents per gallon increase resulted in a motor fuel tax of 19.6 cents per gallon of gasoline and 16.6 cents per gallon for special fuels that will be applicable through March 31, 2008. The Transportation Cabinet believes these motor fuel tax rates will remain in effect for all of Fiscal Year 2008.

The following table displays the recent history of changes to the gasoline motor fuel tax rate in Kentucky:

KENTUCKY GASOLINE MOTOR FUEL TAX RATE HISTORY
(rates below reflect cents per gallon)

<u>Effective</u>	<u>Gasoline Tax Rate</u> <u>KRS 138.220(1)</u>	<u>Motor Fuel User Tax</u> <u>KRS 138.220(2)</u>	<u>Total Motor</u> <u>Fuel Tax</u>	<u>Comments</u>
1986-7/1/2004	\$1.11 X 9% = 10 cents	5 Cents	15 Cents	\$1.11 was the awp floor from 1986-2004
7/1/2004 (FY2005)	\$1.22 X 9% = 11 cents	5 Cents	16 Cents	Effective 7/1/2005 awp floor made permanent by the General Assembly
7/1/2005 (FY2006)	\$1.34 X 9% = 12.1 cents	5 Cents	17.1 Cents	Effective 7/1/2006 awp floor made permanent by the General Assembly
7/1/2006 (FY2007)	\$1.47 X 9% = 13.3 cents	5 Cents	18.3 Cents	
7/1/2007 (FY2008)	\$1.62 X 9% = 14.6 cents	5 Cents	19.6 Cents	It is anticipate that this tax rate will remain in effect for all of FY2008

In addition to the above motor fuel tax rates, Kentucky imposes a 1.4 cents per gallon underground storage tank fee on the sale of motor fuels. These funds are dedicated to the environmental clean-up of leaking underground fuel storage tanks and are not deposited to the Road Fund.

Historical Available Road Fund Revenues, Expenses and Lease Rentals

The table below illustrates the Transportation Cabinet's historical total available Road Fund revenues, expenses and lease rental obligations for the past five Fiscal Years. The figures are derived from the Transportation Cabinet's Financial Report to Management. Motor fuel revenues are shown net of the required allocations for urban roads and streets, for rural and secondary roads, for county roads and bridges, and for the Kentucky Transportation Center. License, fees and permits revenues are shown net of required allocations for the Energy Recovery Road Fund and the restricted portions of regular and motorcycle operator's license fees. Operating and maintenance expenses reflect only those related to Commonwealth highway and highway-related projects payable from the Road Fund.

TRANSPORTATION CABINET'S HISTORICAL AVAILABLE ROAD FUND REVENUES, EXPENSES AND LEASE RENTALS⁽¹⁾

(amounts in thousands)

For the fiscal year ended June 30

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
TOTAL AVAILABLE ROAD FUND REVENUES:						
TAXES:						
Motor Fuels ⁽²⁾	\$229,956	\$234,930	\$238,048	\$254,008	\$286,655	\$323,206
Vehicle Usage ⁽³⁾	429,242	432,837	429,201	407,471	395,507	411,185
Other	79,691	83,707	84,594	85,543	89,756	89,879
LICENSE, FEES AND PERMITS	106,990	98,987	116,917	110,872	126,910	129,564
CHARGES FOR SERVICES ⁽⁴⁾	22,796	21,826	15,670	15,410	14,414	13,306
FINES AND FORFEITS	2	2	2	3	(1)	-
INTEREST INCOME	<u>32,952</u>	<u>29,170</u>	<u>7,546</u>	<u>6,233</u>	<u>7,671</u>	<u>16,055</u>
TOTAL AVAILABLE ROAD FUND REVENUES:	\$901,629	\$901,459	\$891,978	\$879,540	\$920,912	\$983,195
OPERATING & MAINTENANCE EXPENSES:						
Personnel Cost	\$162,532	\$164,356	\$178,928	\$166,178	\$170,394	\$166,636
Personal Service	4,744	5,640	5,914	10,423	9,957	11,027
Operating Expense	116,766	111,165	116,812	105,972	120,604	131,708
Grants	26	84	34	21	61	111
Capital Outlay	299	560	226	295	68	209
Capital Construction	1,578	2,125	1,592	1,769	2,285	2,988
Highway Materials	24,936	22,934	34,370	30,595	32,179	31,222
Other Agency Cost ⁽⁵⁾	<u>31,741</u>	<u>36,701</u>	<u>36,680</u>	<u>54,603</u>	<u>44,850</u>	<u>66,709</u>
TOTAL OPERATING & MAINTENANCE:	\$342,622	\$343,565	\$374,556	\$369,856	\$380,398	\$410,610
NET AVAILABLE ROAD FUND REVENUES:	\$559,007	\$557,894	\$517,422	\$509,684	\$540,514	\$572,585
LEASE RENTALS: ⁽⁶⁾						
The Turnpike Authority						
Toll Road Projects	\$617	\$614	\$112	\$7,882	\$7,807	\$227
Economic Development Road Projects	159,958	144,068	120,875	59,118	93,388	145,805
Resource Recovery Road Projects	12,288	26,286	35,972	38,822	38,796	66
SPBC	<u>1,963</u>	<u>7,136</u>	<u>2,734</u>	<u>6,932</u>	<u>6,958</u>	<u>7,298</u>
TOTAL LEASE RENTALS:	\$174,826	\$178,104	\$159,693	\$112,754	\$146,949	\$153,396
GROSS COVERAGE ⁽⁷⁾	5.1573x	5.0614x	5.5856x	7.8005x	6.2669x	6.4095x
NET COVERAGE ⁽⁷⁾	3.1975x	3.1324x	3.2401x	4.5203x	3.6782x	3.7327x

NOTES:

1. This schedule displays detailed information relating to the Commonwealth of Kentucky's Road Fund that can be used to calculate the coverage of available revenues compared to lease rental payments. Total Available Road Fund Revenues represent total revenues available to the Road Fund exclusive of taxes, fees, and miscellaneous revenues that are dedicated for other uses and not available to make lease rental payments to the Turnpike Authority or the SPBC. Operating and Maintenance Expenses include certain non-construction maintenance, operating, regulatory and administrative expenses related to the public highways. Net Available Road Fund Revenues represent Total Available Revenues less Operating and Maintenance Expenses.
2. The Kentucky motor fuel tax rates are set by statute and are subject to quarterly adjustments based on changes in the awp of fuel. See "THE TRANSPORTATION CABINET — Revenue Sources of the Transportation Cabinet and Recent Changes to Road Fund Receipts" herein.
3. The Kentucky motor vehicle usage tax is imposed on the sale or transfer of new or used motor vehicles at the rate of 6 percent of the vehicle's value. See "THE TRANSPORTATION CABINET — Revenue Sources of the Transportation Cabinet and Recent Changes to Road Fund Receipts" for more details.
4. In 2003, federal funds were provided to retire the debt on the Daniel Boone Parkway and the Louie B. Nunn Parkway. Tolls were removed from these Parkways effective May 2003, and as a result, it is estimated that Road Fund receipts have been reduced beginning in Fiscal Year 2004, by approximately \$7,500,000 to \$8,000,000 annually. Effective November 2006, the tolls were removed from the William H. Natcher and Audubon Parkways. Road Fund receipts were reduced by approximately \$2,800,000 in Fiscal Year 2007 and approximately \$6,500,000 in each future Fiscal Year. These were the last remaining toll facilities active in Kentucky.
5. The Kentucky General Assembly routinely appropriates Road Fund revenues to agencies outside of the Transportation Cabinet to fund the costs of enforcement of traffic laws, the collection of Road Fund tax revenues and other administrative support functions related to the Cabinet.
6. Lease Rentals paid by the Transportation Cabinet to the Turnpike Authority of Kentucky (Authority) include amounts representing the following: principal and interest requirements on Turnpike Authority Bonds, net of Debt Service Reserve Fund investment earnings and amounts required by the Turnpike Authority for administrative and other expenses; and any amounts to be transferred into the Redemption Account from the Debt Service Reserve Fund. Amounts paid to the SPBC include principal and interest requirements on bonds issued to finance the construction of a new office building for the Transportation Cabinet.
7. Gross Coverage equals Total Available Road Fund Revenues divided by Total Lease Rentals. Net Coverage equals Net Available Road Fund Revenues divided by Total Lease Rentals.

Cash Management

Beginning with the enactment of the 2000-2002 Biennial Budget, the General Assembly established the Prefinancing Road Projects Program (the "Program") authorizing the Transportation Cabinet to develop and implement a program to accelerate projects contained in the Biennial Highway Construction Plan. The Program permitted the Transportation Cabinet to initiate work on highway projects in excess of available budget authority by employing a cash flow financing program. In accordance with the General Assembly's on-going authorization for the Program, the Transportation Cabinet has used the Road Fund cash balance to accelerate highway projects.

Prior to Fiscal Year 2000, the Transportation Cabinet managed the highway program on an obligation basis by setting aside the entire cost of a highway project phase at the time work was approved to begin. Typically highway projects take a number of years to complete; therefore, a considerable cash balance had accumulated in the Road Fund as project dollars waited to be spent. The Road Fund cash

balance did not represent free, uncommitted funds but rather funds on deposit until expenses became due over time.

Using the cash flow financing approach, the Transportation Cabinet has used the Road Fund cash balance to expedite the start and completion of highway projects. Before the start of the Program in July 2000, the Road Fund cash balance was approximately \$690,000,000. Since then the Road Fund cash balance has fluctuated from a low of \$64,699,000 in December 2003 to a balance of \$437,214,000 as of January 31, 2008.

The Transportation Cabinet has developed a number of cash management practices and tools to forecast and monitor cash activity on an on-going basis. The goal is to maximize available resources for the delivery of services while ensuring that funds are sufficient to meet current obligations. The authorizing legislation requires that the Transportation Cabinet continuously ensure that funds are available to meet expenditures and the Transportation Cabinet provides periodic updates regarding Program status to the Office of the State Budget Director, the Finance and Administration Cabinet and the General Assembly.

THE TURNPIKE AUTHORITY

The information presented under this heading replaces, in part, the information presented under the same heading in the Original Official Statement.

The current members of the Authority are as follows:

Steven L. Beshear	Governor
Daniel Mongiardo	Lieutenant Governor
Jack Conway	Attorney General
Jonathan Miller	Secretary, Finance and Administration Cabinet
Joe Prather	Secretary, Transportation Cabinet
O. Gilbert Newman	State Highway Engineer
John Hindman	Secretary, Cabinet for Economic Development

Outstanding Obligations Related to the Road Fund

In addition to the Outstanding Notes, the outstanding bond obligations of the Turnpike Authority and the SPBC that constitute obligations of the Transportation Cabinet that are payable from the Road Fund are set forth in the following table.

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OUTSTANDING ROAD FUND OBLIGATIONS
(as of February 15, 2008)

<u>Name of Revenue Bond Issue</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Original Principal Amount Issued</u>	<u>Par Amount Outstanding</u>
<u>Bonds Issued by the Turnpike Authority</u>				
Resource Recovery Road Revenue Refunding Bonds, 1985 Series A ⁽¹⁾	7/1/85	7/1/09	\$309,961,261	\$56,485,000
Economic Development Road Revenue and Revenue Refunding Bonds (Revitalization Projects)				
Series 1992	10/1/92	1/1/10	\$250,493,658	\$79,545,000 ⁽²⁾
Series 1993	4/1/93	7/1/09	570,540,000	91,485,000
Series 1995	4/1/95	7/1/08	237,890,000	33,605,000
Series 2000	11/15/00	7/1/11	179,825,000	34,870,000
Series 2001A	2/1/01	7/1/15	152,960,000	152,960,000
Series 2001B	3/1/01	7/1/19	60,475,000	60,475,000
Series 2004A	6/10/04	7/1/10	16,180,000	16,180,000
Series 2004B	10/5/04	7/1/15	41,510,000	40,765,000
Series 2005A	4/27/05	7/1/15	33,330,000	17,800,000
Series 2005B	4/27/05	7/1/25	213,750,000	201,405,000
Series 2006A	3/29/06	7/1/26	74,605,000	67,645,000
Series 2006B	6/21/06	7/1/26	<u>146,630,000</u>	<u>146,630,000</u>
Total Turnpike Authority Bonds Outstanding			<u>\$2,772,524,299</u>	<u>\$999,850,000</u>
<u>Bonds Issued by the SPBC</u>				
Road Fund Revenue and Refunding Bonds				
Project No. 73	11/1/01	11/1/14	\$90,240,000	\$30,090,000
Project No. 73 (Second Series) ⁽³⁾	4/1/02	11/1/21	<u>41,270,000</u>	<u>41,270,000</u>
Total SPBC Bonds Outstanding			<u>\$131,510,000</u>	<u>\$71,360,000</u>
TOTAL TRANSPORTATION CABINET BOND OBLIGATIONS			<u>\$2,904,034,299</u>	<u>\$1,071,210,000</u>

Source: Turnpike Authority of Kentucky and Transportation Cabinet

NOTES:

- These bonds are secured primarily by a renewable biennial lease of certain resource recovery road projects and, in the event the lease is not renewed by the Transportation Cabinet, by a claim upon collections from coal severance taxes, tolls, fees and charges that may be imposed for use of such projects.
- Par Amount Outstanding includes the amount payable at maturity of any capital appreciation bonds and bond income growth securities.
- These bonds refunded a portion of the Project No. 73 Bonds.

THE COMMONWEALTH

The information presented under the subheadings included under this heading updates, and is in addition to, the information presented under the same subheadings in the Original Official Statement.

Financial Information Regarding the Commonwealth

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2007 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2007 with the Nationally Recognized Municipal Securities Information Repositories identified in the Original Official Statement.

Fiscal Year 2007

The Commonwealth's combined net assets (governmental and business-type activities) totaled \$17.4 billion at the end of 2007, as compared to 17.9 billion at the end of the previous year.

The largest portion of the Commonwealth's net assets, \$18.2 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), and minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending.

The second largest portion of the Commonwealth's net assets, totaling \$1.6 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net assets. The unrestricted net assets, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is a negative \$2.4 billion; therefore funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net assets when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities) on the statement of net assets.

The Commonwealth received program revenues of \$9.5 billion and general revenues (including transfers) of \$10.2 billion for total revenues of \$19.7 billion during Fiscal Year 2007. Expenses for the Commonwealth during Fiscal Year 2007 were \$20.2 billion, which resulted in a total decrease of the Commonwealth's net assets in the amount of \$(507) million, net of contributions, transfers and special items.

The slowing economy, during Fiscal Year 2007, caused revenues to decline resulting in the decrease in net assets of governmental activities by \$(466) million or 2.6 percent. Approximately 56 percent of the governmental activities' total revenue came from taxes, while 34 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

As of the end of Fiscal Year 2007, the Commonwealth's governmental funds reported combined ending fund balances of \$2.86 billion, a decrease of \$(280) million in comparison with the prior year. The unreserved portion of fund balance (\$1.86 billion), which is the portion of fund balance available for spending in the coming year, has increased to 65 percent of the total fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Commonwealth. At the end of Fiscal Year 2007, total fund balance reached \$813 million, with an unreserved balance of \$517 million. This

compares to a General Fund unreserved Fund Balance of \$713 million as of June 30, 2006. An unreserved fund balance represents the excess of the assets of the General Fund over its liabilities and reserved fund balance accounts. Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations reported include reserves for encumbrances, inventories and capital outlay.

The Commonwealth's general fund balance, after several years of growth, has decreased by \$81 million during Fiscal Year 2007, which represents a decline of 9 percent, of the prior year balance. The slow economy which reduced tax revenues is the major factor for this decline.

The major special revenue funds had no significant changes in fund balances, however, some changes in a fund's revenues and/or expenditures, might be considered significant. These changes include an increase in motor fuels tax receipts, in the Transportation Fund; increased benefit payments in the Federal Fund, and increased spending in the Transportation function of the Agency Revenue Fund.

The Commonwealth of Kentucky's bonded debt decreased by \$104 million to \$3.4 billion, a 2.93 percent decrease during Fiscal Year 2007. The major factor in this decrease was the maturity of bonds outstanding and the issuance of notes for interim financing, rather than bonds. No general obligation bonds were authorized or outstanding at June 30, 2007.

Fiscal Year 2008 General Fund (Unaudited)

On January 16, 2008, the Consensus Forecasting Group ("CFG") revised the official General Fund revenue estimate for Fiscal Year 2008 to \$8,633 million; which is \$132.2 million below the estimated levels upon which the Fiscal Year 2008 budget was enacted. The official forecast reflects a 0.7 percent increase in General Fund receipts for Fiscal Year 2008 when compared to Fiscal Year 2007 actual receipts. The estimate excludes Phase I Tobacco Master Settlement Agreement ("MSA") payments, which are estimated by CFG to be \$117.47 million in Fiscal Year 2008.

Fiscal Year 2008 General Fund actual revenues total \$4,996 million through January 2008, an increase of 0.6 percent over the same period in Fiscal Year 2007. Based on year-to-date receipts, a 0.8 percent rate of growth is required in the final five months of Fiscal Year 2008 to meet the official estimate.

General Fund revenues for January 2008 were \$752.8 million, an increase of 6.5 percent compared to January 2007. During January 2008, sales and use tax revenues grew by 3.7 percent over January 2007. Individual income tax receipts rose by 34.9 percent while corporation income tax fell by 94.1 percent, the result of tax law changes which affected timing of collections. Property taxes slipped by 15.5 percent also due to timing differences, between this year and last year, in the payment of the public service company property tax. Coal severance tax revenue declined 0.8 percent, while Lottery revenues were up by 6.9 percent compared to January of last year.

Fiscal Year 2008 Road Fund (Unaudited)

Road Fund revenues are forecasted to grow in Fiscal Year 2008 by 4.6 percent over their level in Fiscal Year 2007. The revised official Road Fund revenue estimate for Fiscal Year 2008 is \$1,282.8 million. Fiscal Year 2008 Road Fund actual revenues total \$731.2 million through January 2008, an increase of 7.0 percent over the same period in Fiscal Year 2007. Based on year-to-date growth, revenues must rise by 1.6 percent for the remainder of Fiscal Year 2008 to meet the official estimate.

The Road Fund grew strongly in January 2008, with total receipts of \$104.0 million, rising 9.1 percent compared to January 2007. Motor fuels taxes rose 3.1 percent in January 2008 over last January, as the additional tax tied to the price of gasoline continued to boost revenues. The motor vehicle usage tax had a strong month, rising 6.4 percent this January compared to last January, continuing the growth

the tax has seen in recent months. License and privilege taxes rose 30.4 percent in January 2008 due to growth in the weight distance tax and other motor vehicle license fees. Non-tax receipts fell by 24.8 percent principally due to the loss of toll and investment income.

Investment Policy

At December 31, 2007, the Commonwealth's operating portfolio was approximately \$4.0 billion in cash and securities. The composition of investments was as follows: U.S. treasury securities (14%); securities issued by agencies and instrumentalities of the United States Government (18%) mortgage backed securities and collateralized mortgage obligations (12%); repurchase agreements collateralized by the aforementioned (20%); municipal securities (7%); and corporate and asset backed securities, including money market securities (29%). The portfolio had a current yield of 4.65% and an effective duration of 0.82 years.

At December 31, 2007, the Commonwealth had no asset-based interest rate swaps outstanding.

State Retirement Systems

Following is information about the state's retirement system, including pension plans and other post employment benefits. Capitalized terms used under this heading and not otherwise defined shall have the respective meanings given by the CAFRs, as herein defined.

Pension Plans. The Kentucky Retirement Systems ("KRS") and the Kentucky Teacher's Retirement System ("KTRS") (collectively, the "Pension Plans") are component units of the Commonwealth of Kentucky for financial reporting purposes and are included in *The Kentucky Comprehensive Annual Financial Report*. For a brief description of the Pension Plans and of the Pension Plans' assets and liabilities, see *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2007, Note 8 beginning on page 76.

Pension Funding. Based upon the assumptions employed in the Pension Plans' June 30, 2007 actuarial valuation reports used in preparing the associated Pension Plans' 2007 CAFRs, the KRS had a state supported pension Unfunded Actuarial Accrued Liability (the "UAAL") of \$4,380 million, while KTRS had a UAAL of \$5,970 million. The state supported portion of the Pension Plans for Fiscal Year end June 30, 2007 had funding percentages of 58.7 percent for the KRS and 71.9 percent for KTRS. The KRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2007 pension benefits was \$214.2 million versus the Actual Contribution of \$107.6 million. The KTRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2007 was \$494.6 million, \$421.6 million was contributed.

Other Post Employment Benefits ("OPEB"). Pursuant to their respective actuarial studies, the OPEB UAAL as of June 30, 2007 has been estimated to not exceed \$5,151 million for the KRS and \$5,788 million for KTRS. The actuarial estimates for the KRS OPEB liabilities substantially decreased from the \$8,089.5 million previously reported in the KRS' 2006 CAFR, primarily due to the Board's policy of incrementally increasing employer contributions to the funds in order to reach full entry age normal cost by 2016. The actuarial estimates for KTRS actually increased from \$4,210.3 million due to health care costs escalating at a much faster rate than revenue growth in the Medical Insurance Plan.

The KRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2007 healthcare benefits was \$146.3 million versus the Actual Contribution of \$101.2 million. The KTRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2007 was \$231.5 million, \$123.6 million was contributed. The state supported portion of the Health Plans for Fiscal Year ended June 30, 2007 had funding percentages of 16.1 percent for the KRS and 2.4 percent for KTRS.

Proposed Legislation Regarding State Retirement Systems. The Governor has presented a proposal to address the long-term financial issues faced by the Commonwealth's pension systems. The proposal, titled the Kentucky Public Pension Protection and Modernization Act, was filed as House Bill 600 ("H.B. 600") in the Kentucky House of Representatives on February 21, 2008. H.B. 600 proposes a significant restructuring of retirement benefits for future beneficiaries and includes reforms that will establish better oversight, address the funding challenges, and modernize the pension systems for the next generation. It also incorporates many of the recommendations of a Blue Ribbon Task Force that presented a final report in early January 2008. H.B. 600, in its current form, does not include any recommendation to issue pension obligation bonds or OPEB bonds to address the estimated \$21.3 billion of unfunded liabilities.

As with any legislation there is no assurance that H.B. 600 will be enacted in whole, in part or substantially amended, or that other legislation might not be filed that would be in conflict with or materially change the intent of H.B. 600. A final enacted version, if any, of pension legislation relating to unfunded liabilities may be materially different than what was originally proposed by the Governor and could include, among other things, a substantial borrowing component.

RATINGS

The information presented under this heading replaces, in its entirety, the information presented under the same heading in the Original Official Statement.

The following rating agencies (each a "Rating Agency") assigned the following respective long term/short term ratings to the Notes as of the date of the Original Official Statement (September 21, 2007): Moody's Investor's Service, Inc., "Aa3/not rated"; Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc. "AA+/A-1," and Fitch Ratings, "AA- /F1+." Each rating reflects only the views of the respective Rating Agency and relates only to the Notes, which are secured by the initial Liquidity Facility. Explanations of the significance of the ratings may be obtained from each Rating Agency as follows: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, (212) 583-0300; Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041, (212) 438-1000; and Fitch Ratings, One State Street Plaza, New York, New York 10004 (212) 908-0500. No rating is a recommendation to buy, sell or hold the Notes, and there is no assurance that any rating will be maintained for any given period of time by a Rating Agency or that it will not be revised or withdrawn entirely by such Rating Agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of a rating may have an adverse affect on the market price of the Notes.

UNDERWRITING

J. P. Morgan Securities Inc. has agreed to purchase the Notes at a purchase price equal to 99.92% of the aggregate amount of the Notes sold. J. P. Morgan Securities Inc. is committed to purchase all of the Notes if any are purchased.

The Underwriter has advised the Commission that it intends to make a public offering of the Notes at the initial public offering price set forth on the cover page hereof; provided, however, that the Underwriter has reserved the right to make concessions to dealers and to change such initial public offering prices as the Underwriter deems necessary in connection with the marketing of the Notes.

MISCELLANEOUS

Any statements in this Supplement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Supplement is not to be construed as a contract or agreement between the Commission and the purchasers or Holders of any of the Notes.

KENTUCKY ASSET/LIABILITY COMMISSION

By: /s/ Jonathan Miller
Jonathan Miller
Chairman

By: /s/ F. Thomas Howard
F. Thomas Howard
Secretary

EXHIBIT A
DEBT INFORMATION
PERTAINING TO THE COMMONWEALTH OF KENTUCKY
COMMONWEALTH DEBT MANAGEMENT

The information presented in this Exhibit A replaces, in its entirety, the information presented in Exhibit A to the Original Official Statement.

Management

The Office of Financial Management ("OFM"), Finance and Administration Cabinet has central responsibility for the issuance, management, review and approval of all debt issued by the Commonwealth and its agencies. Table I lists active issuing entities. OFM is also responsible for the coordination and monitoring of cash needs relative to debt activity, debt service payments and the development of a comprehensive long-term debt plan. OFM serves as primary staff to the State Property and Buildings Commission, the Kentucky Asset/Liability Commission, and the Kentucky Local Correctional Facilities Construction Authority.

Structure

The Commonwealth's indebtedness is classified as either appropriation supported debt or non-appropriation supported debt.

Appropriation supported debt carries the name of the Commonwealth and is either (i) a general obligation of the State, or (ii) a lease revenue obligation of one of its debt issuing agencies created by the Kentucky General Assembly to finance various projects which is subject to state appropriation for all or a portion of the debt service on the bonds.

General obligation bonds pledge the full faith, credit and taxing power of the Commonwealth for the repayment of the debt. The Kentucky Constitution requires voter approval by general referendum prior to the issuance of general obligation bonds in amounts exceeding \$500,000. Kentucky has not issued general obligation bonds since 1966. The Commonwealth has no general obligation bonds outstanding.

Project revenue notes and bonds are issued by various debt issuing authorities of the Commonwealth. The revenues produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenue debt is not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases, the direct revenues generated from the project funded constitute the entire source of payment.

The payment of debt service by the state universities is enhanced by a state intercept provision that provides that in the event of a default, the Secretary of the Finance Cabinet is required to intercept any funds appropriated to the University but not yet disbursed and to remit those funds to the Trustee to remedy the default.

Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other entities within the state. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and does not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any funds to fulfill the financial obligations represented by these types of indebtedness. Some issues covenant that in the event of a shortfall the issuer will request from the Governor and the General Assembly sufficient amounts to pay debt service. Kentucky Infrastructure Authority Governmental Agencies Program and certain Kentucky Higher Education Student Loan Corporation bond issues are no longer moral obligation debt.

Default Record

The Commonwealth has never defaulted in the payment of principal or interest on its general obligation indebtedness or its project revenue obligations.

TABLE I
ACTIVE DEBT ISSUING ENTITIES

ENTITY	STATUTORY AUTHORITY/ PURPOSE	DEBT LIMITATIONS	RATING ⁽¹⁾
State Property and Buildings Commission	KRS 56.450 Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/A+/AA-
Kentucky Asset/Liability Commission	KRS 56.860 Provide financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies
Turnpike Authority of Kentucky	KRS 175.410-175.990 Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/AA+/AA-
The State Universities (consisting of nine)	KRS 56.495 Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Kentucky Housing Corporation	KRS 198A Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents of the State.	Limited to \$2.5 billion of debt outstanding	Aaa/AAA/NR
Kentucky Infrastructure Authority	KRS 224A Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of \$500 million.	Aa3/A+/AA-
Kentucky Higher Education Student Loan Corporation	KRS 164A Make guaranteed student loans to residents of the state to attend postsecondary institutions and to make loans to students attending postsecondary schools within the state.	Limited to \$5.0 billion of debt outstanding.	NR/AAA/AAA (Sr. Series) NR/A/A (Subord. Series)
School Facilities Construction Commission	KRS 157.611-157.665 Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	Aa3
Kentucky Economic Development Finance Authority	KRS 154 Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state.	None.	Varies
Kentucky Local Correctional Facilities Construction Authority	KRS 441.605-441.695 Provide an alternative method of constructing, improving, repairing and financing local jails.	Limited to the level of debt service supported by court fees pledged as repayment for the bonds.	Aaa/AAA/NR (Insured)

⁽¹⁾ Ratings, where applicable, include Moody's, Standard & Poor's, and Fitch.

Certain State Property and Buildings Commission Agency Fund Revenue bonds may have ratings different from those identified above. The Kentucky Infrastructure Authority's Governmental Agencies Program Revenue Bonds are rated "AA" by Standard & Poor's and are backed by the loans of the borrowers.

EXHIBIT B

LIQUIDITY PROVIDER

The information presented in this Exhibit B replaces, in its entirety, the information presented in Exhibit E to the Original Official Statement.

Dexia Crédit Local ("Dexia") is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of over 24 billion euros as of December 31, 2006, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group's first line of business – public and project finance and financial services for the public sector. Dexia has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,500 professionals. Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union as well as Central Europe, the United States of America and Canada. Dexia also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

Dexia is a bank with its principal office located in Paris, France. In issuing the facility, Dexia will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of Dexia Crédit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2006 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2006, total funding raised by Dexia and Dexia Municipal Agency was 15.7 billion euros.

The Dexia Group is the owner of Financial Security Assurance Holdings Ltd. ("FSA Holdings"), the holding company for Financial Security Assurance Inc., a leading financial guaranty insurer.

As of December 31, 2006, Dexia had total consolidated assets of 304 billion euros, outstanding medium and long-term loans to customers of 241 billion euros and shareholders' equity of over 7.98 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 1.082 billion euros. These figures were determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2006, the exchange rate was 1.0000 euro equals 1.317 United States dollar. Such exchange rate fluctuates from time to time.

Dexia is rated Aa1 long-term and P-1 short-term by Moody's, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Crédit Local, New York Branch, 445 Park Avenue, 7th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.